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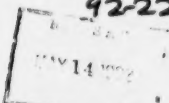
FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 000-16893

DANNINGER MEDICAL TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware	31-0992628
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No)

4140 Fisher Road
Columbus, Ohio
43228-1607
(Address of principal executive offices)

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PROCESSED BY
4-13-X
MAY 18 1992

(614) 276-8267
(Registrant's telephone number)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes__X__ No_____

4,382,550
Shares of Common Stock Outstanding
As Of
March 31, 1992

BEST COPY
AVAILABLE

THIS DOCUMENT CONSISTS OF 19 PAGES
THE EXHIBIT INDEX IS AT PAGE 13.

PART I - FINANCIAL INFORMATION
ITEM 1. - FINANCIAL STATEMENT

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET

	March 31, 1992 (Unaudited)	December 31, 1991 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 84,282	$ 70,223
Accounts receivable, trade (net of allowance for doubtful accounts of $264,603 and $229,500 for 1992 and 1991 respectively)	987,375	1,095,346
Net investment in sales-type leases, current (net of allowance for doubtful accounts of $3,515 for 1992)	183,073	105,376
Inventories	2,938,230	2,924,589
Prepaid expenses	124,502	105,348
Federal income taxes refundable	40,081	225,790
Deferrred income taxes	245,100	245,100
Total current assets	4,602,643	4,771,772
Property and equipment, net	1,144,072	1,188,013
Other assets:		
Net investment in sales-type leases, noncurrent portion (net of allowance for doubtful accounts of $28,040 for 1992)	1,462,110	913,694
Cash surrender value, life insurance	36,422	-----
Notes receivable (net of valuation allowance of $165,117)	59,963	66,963
Patents (net of accumulated amortization of $16,639 and $15,920 for 1992 and 1991, respectively)	13,866	14,585
Total assets	$ 7,319,076	$ 6,955,027

The accompanying notes are an integral part of the financial statements

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET

	March 31, 1992 (Unaudited)	December 31, 1991 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion, term debt	334,855	412,634
Current portion, capital lease obligations	119,839	116,417
Accounts payable, trade	513,646	550,399
Accrued expenses	428,884	252,541
Other liabilities	40,502	53,502
Total current liabilities	1,437,726	1,385,493
Term debt, net of current maturities	1,500,160	1,311,816
Obligations under capital leases, net of current maturities	209,286	241,125
Deferred income taxes	271,400	271,400
Shareholders' equity:		
Common stock, $.01 par value: Authorized, 10,000,000 shares; issued and outstanding 4,382,550	43,825	43,825
Paid-in capital	2,493,841	2,493,841
Retained earnings	1,362,838	1,207,527
Total shareholders' equity	3,900,504	3,745,193
Total liabilities and shareholders' equity	$ 7,319,076	$ 6,955,027

The accompanying notes are an integral part of the financial statements

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the three month periods ending March 31, 1992 and 1991
(Unaudited)

	March 31, 1992	March 31, 1991
Revenue:		
Net sales	$ 1,994,660	$ 2,005,341
Lease and rental revenue	120,472	———
	2,115,132	2,005,341
Costs & expenses:		
Cost of goods sold	896,995	1,031,718
Sales and marketing	238,661	223,191
General and administrative	383,607	284,148
Research and development	244,417	268,774
Interest	35,152	34,150
Provision for doubtful accounts	66,658	———
	1,865,490	1,841,981
Operating income	249,642	163,360
Other income	669	5,552
Income before income taxes	250,311	168,912
Income tax expense	95,000	61,000
Net income	$ 155,311	$ 107,912
Net income per share	$ .03	$ .02
Weighted average shares outstanding including common stock equivalents	4,506,034	4,455,327

The accompanying notes are an integral part of the financial statements

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three month periods ending March 31, 1992 and 1991
(Unaudited)

	1992	1991
Net cash used in operating activities	$ (32,624)	$ (19,137)
Cash flows used in investing activities:		
Purchase of property and equipment	(35,475)	(84,715)
Net cash used in investing activities	(35,475)	(84,715)
Cash flows from financing activities:		
Net proceeds from line of credit	———	100,000
Proceeds from term debt	407,800	
Repayment of term debt and capitalized lease obligations	(325,652)	(29,252)
Proceeds from issuance of common stock and exercise of stock options	———	6,750
Net cash provided by financing activities	82,148	77,498
Net increase/(decrease) in cash	14,049	(26,354)
Cash balance at the beginning of the period	70,233	43,688
Cash balance at the end of the period	$ 84,282	$ 17,334
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 35,152	$ 34,150
Supplemental disclosure of non-cash investing and financing activities:		
Capital lease obligations incurred	$ ———	$ 75,284

The accompanying notes are an integral part
of the financial statements

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Management's Statement

In the opinion of management, the accompanying unaudited financial statements contain all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position of Danninger Medical Technology, Inc. and Subsidiary at March 31, 1992, and the results of operations and cash flows for the three month period ending March 31, 1992 and 1991. The notes to the Consolidated Financial Statements which are contained in the 1991 Annual Report to Shareholders' should be read in conjuction with these Consolidated Financial Statements.

2. Inventories

Inventories are valued at the lower of first-in, first-out cost or market.

3. Income Taxes

The Company provides for federal and local income tax expense or benefit in interim periods using an estimated effective tax rate for the year. Estimated research and development credits reduce the effective rate from the statutory rate.

4. Revenue

During 1991, the Company's wholly-owned subsidiary, Cross Medical Products, Inc. elected to convert to a direct sales organization from its distributor network, both domestically and internationally. In 1991 receivable reserves were established for the gross profit on inventories which were expected to be returned to Cross as well as for possible distributor disputes.

Inventory returned by one distributor exceeded estimates and reserves were increased by the estimated gross profit previously recorded. Additional receivable reserves were also recorded to reflect final estimated settlement costs related to this distribution change.

ITEM 2.

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATION

The following table shows Danninger Medical Technology's operating results as a percent of revenues for the periods indicated for certain items reflected in the statement of operations.

	Percent of Sales for three months ending March 31, 1992	Percent of Sales for three months ending March 31, 1991
Revenue:		
Sales Revenue	94.3%	100.0%
Lease/Rental Revenue	5.7%	———
	100.0%	100.0%
Costs & Expenses:		
Cost of Goods Sold	42.4%	51.4%
Sales and Marketing	11.3%	11.1%
General and Administrative	18.1%	14.2%
Research and Development	11.6%	13.4%
Interest	1.7%	1.7%
Provision for doubtful accounts	3.2%	———
Other income	———	0.3%
Income before taxes	11.8%	8.4%
Income Taxes	4.5%	3.0%
Net income	7.3%	5.4%

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATION

Revenue

	Three months Ended March 31, 1992	Three months Ended March 31, 1991
Sales Revenue	$ 1,994,660	$ 2,005,341
Lease Rental Revenue	120,472	—
	$ 2,115,132	$ 2,005,341

Total revenue increased by 5% for the three months ended March 31, 1992 over the same period in 1991. This increase was attributable to an 11% increase in unit sales of the Company's classic line of CPM products (Danniflex 440(TM) and Danniflex 450(TM)), a 16% increase in unit sales of specialty products sold under the sales-type leases (Danniflex 500(TM) leg CPM, Danniflex 900(TM) hand CPM, and the newly introduced thermal therapy unit (TTU)), and lease rental revenue related to the the specialty leases.

While the recovery division experienced an increase in sales, the Company's wholly-owned subsidiary, Cross Medical Products, Inc. (Cross) is changing its distribution networks (see Note 4 to the Notes to the Consolidated Financial Statements) and had lower sales in 1992 compared to 1991.

Cost of Goods Sold and Gross Profit

	Three months Ended March 31, 1992	Three months Ended March 31, 1991
Cost of Goods Sold and Gross Profit	$ 896,995	$ 1,031,718

Cost of Sales decreased by $134,723, from $1,031,718 for the first quarter of 1991 to $896,995 for the first quarter of 1992. Sales Revenue remained almost the same ($1,994 660 for 1992; $2,005,341 for 1991) and Cost of Sales as a percentage of sales decreased from 51.4% in 1991 to 42.0% in 1992.

The decrease was a result of higher margins recorded for the specialty lease related products and efficiencies and cost containment in direct labor.

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATION

Sales & Marketing Expense

	Three months Ended March 31, 1992	Three months Ended March 31, 1991
Sales & Marketing	$ 238,661	$ 223,191

Sales and Marketing expense increased $15,470 (7%) from $223,191 for the first quarter of 1991 to $238,661 for the first quarter of 1992. Two people were added for training support related to the specialty dealer lease program. The Company changed from a sales representative to direct sales organization in the second quarter of 1991 and commissions were eliminated at that time.

General and Administrative Expense

	Three months Ended March 31, 1992	Three months Ended March 31, 1991
General & Administrative	$ 383,607	$ 284,148

General and Administrative expenses for the first quarter of 1992 increased 35% over the same period in 1991, from $248,148 to $383,607. In early 1991, the Chief Financial Officer was promoted to President and Chief Operating Officer, and a new Chief Financial Officer was added in the third quarter of 1991. Additionally, an administrative staff position was added in the second quarter of 1991.

In January 1992, the Company converted to a new data processing system. Benefits are expected to include increased manufacturing and inventory control, however, first quarter start up costs are reflected in General and Administrative expense.

The Company also experienced an increase in property tax and property and liability insurance costs.

Research and Development Expense

	Three months Ended March 31, 1992	Three months Ended March 31, 1991
Research and Development	$ 244,417	$ 238,774

Research and Development costs were down 9% for 1992 from 1991. The Company had fewer people in research and development in 1992 than in 1991.

Provision for Doubtful Accounts Expense

	Three months Ended March 31, 1992	Three months Ended March 31, 1991
Provision for Doubtful Accounts Expense	$ 66,658	$ ------

The Company accrues 5% of specialty lease product sales as a provision for doubtful accounts. The leases are for a 48 month period and management believes reasonable reserves must be accrued.

Additionally, receivable reserves were increased to reflect the final estimated settlement related to Cross' distribution channel change (see Note 4 to the Notes to the Consolidated Financial Statements).

Interest Expense

	Three months Ended March 31, 1992	Three months Ended March 31, 1991
Interest	$ 35,152	$ 34,150

Although the Company's borrowings increased in 1992 over 1991, interest remained about the same due to lower interest rates.

Income Tax Expense/(Benefit)

The estimated effective tax rate for the three month period ended March 1992, was 38% compared to 36% in 1991. This increase results from a reduction in research and development credits estimated to be available in 1992.

Liquidity And Capital Requirements

Working capital decreased from $3,386,279 at December 31, 1991 to $3,164,917 at March 31, 1992, or $221,362. The current ratio (ratio of current assets to current liabilities) was 3.2 to 1 at March 31, 1992 and 3.4 to 1 at December 31, 1991.

Management believes that the working capital, bank line of credit in the amount of $1,000,000 which was fully utilized at March 31, 1992, and a loan arrangement with the bank whereby up to $2,500,000 (increased to $6,000,000 in May, 1992) can be borrowed from the bank to support the Company's lease activities, and funds generated by operations will be adequate to meet the presently identifiable capital requirements.

PART II - OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The exhibits listed in the accompanying index to exhibits are filed as a part of this Report.

(b) Reports on Form 8-K

None

Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

DANNINGER MEDICAL TECHNOLOGY, INC.
(Registrant)

Dated: May 13, 1992

Joseph A. Mussey
Chief Executive Officer, President,
and Treasurer

Dated: May 13, 1992

John Jenkins
Chief Financial Officer
(Principal Financial Officer)

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY

FORM 10-Q
EXHIBIT INDEX

Exhibit No.	Exhibit	Page No.
2	Not applicable	
4	Reference is made to Articles Fourth, Eighth, Ninth and Tenth of the Company and Articles II, III, IV, VI, VII and VIII of the Company's Bylaws, filed as Exhibits 3(a) and 3(b) to the Form 10 filed May 3, 1988 and incorporated by reference herein. Instruments defining the rights of holders of long-term debt will be furnished to The Securities and Exchange Commission upon request.	
11	Statement re: Computation of Per Share Earnings	14
15	Not applicable	
18	Not applicable	
19	Not applicable	
20	Not applicable	
23	Not applicable	
24	Not applicable	
25	Not applicable	
28	Not applicable	

DANNINGER MEDICAL TECHNOLOGY, INC. AND SUBSIDIARY
EXHIBIT 11
COMPUTATION OF NET INCOME PER SHARE
For the three month periods ending March 31, 1992 and 1991

	March 31, 1992	March 31, 1991
Weighted average number of common shares outstanding	4,382,550	4,214,750
Shares issuable pursuant to employee stock option plans and stock warrants, less shares assumed repurchased at the average market prices	123,484	240,577
Weighted average shares outstanding, including common stock equivalents	4,506,034	4,455,327
Net income/(loss)	$ 155,311	$ 107,912
Net income/(loss) per share:	$ .03	$ .02

Note: The application of the higher of quarter-end or year end market prices in calculating fully-diluted earnings per share does not result in material dilution to the reported earnings per share amounts.